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September 13, 2004

Members of the Zoning, Neighborhoods
& Development Committee
The Honorable Common Council
City of Milwaukee, City Hall Room 205
Milwaukee, WI 53202

RE: File 040639 Proposed TID 56-
Erie Street – Jefferson Riverwalk

Committee Members:

File 040639 proposes approval of a Project Plan and the creation of TID 56 - an \$8,000,000 Tax Increment District in the Third Ward extending from the Broadway Bridge to the harbor entrance at the end of East Erie Street. These funds would be used as follows:

Construction of 2,232 lineal feet of Riverwalk.....	\$4,240,000
Street Paving, streetscape improvements, & dockwall repair.....	\$1,210,000
Removal/Improvement of a CNW railroad swing bridge.....	\$1,000,000
Construction of a plaza at the south end of Erie Street.....	\$1,000,000
Contingency and DCD administrative costs.....	<u>\$ 550,000</u>
Total Estimated Costs.....	<u>\$8,000,000</u>

TID costs would be financed by the issuance of City of Milwaukee General Obligation bonds.

All of the above are public (City owned) improvements except the riverwalk. Consistent with other City of Milwaukee riverwalks, this riverwalk segment would be privately owned and maintained subject to continuous public access. All riverwalk maintenance would be the responsibility of the respective private owners. Project expenditures would occur during 2004-2006. The above represents only City costs. In addition, developers are expected to pay 25 percent of the total cost of the proposed riverwalk as well as 25 percent of specified street dead-end "bump out" costs. These developer costs will be financed by the developer – not the City of Milwaukee.

The proposed TID 56 encompasses two new condominium-retail development projects fronting East Erie Street: Harbor Front and Marine Terminal Lofts. Each project is to be constructed in two phases. The sponsoring developer for Harbor Front is Renner Architects through its limited liability corporation, The Harbor Front Marina, LLC. The Harbor Front Project Phase I consists of 80 condominiums with 149 parking spaces and 4,400 sqft of retail space built in six stories. The units are expected to sell for \$221,000-\$448,000. Forty-six units have been reportedly pre-sold at an average sale price of \$396,000. Harbor Front Phase I construction is already well under construction. Harbor Front Phase II is identical in scope and size to Phase I, with an additional 80 condos and the same retail space. It would be constructed just north of Phase I.

The adjoining Marine Terminal Lofts Project is a similar five-story mixed use development. Phase I contemplates 100 condo units and 42,000 sqft of commercial space. Phase II adds 75 condo units and 30,000 sqft of retail space. These Projects include parking accommodations for a total of 270 vehicles. The condos are expected to sell at an average price of \$260,000. Neither phase of Marina Lofts has yet to begin. The sponsoring developer is The Mandel Group under a limited liability corporation.

Is the proposed Erie Street Riverwalk TID Project likely to be a successful?

Apparently due to its high-end features, the cost of the proposed riverwalk section is over \$2,500 per lineal foot of riverwalk¹, excluding required dockwall repair costs. This compares to an average \$1,665 per foot for existing downtown riverwalk and \$3,200 per foot for the Historic Third Ward riverwalk. The budget also includes \$1,000,000 to remove or improve a private railroad bridge and an additional \$1,000,000 to construct a pedestrian plaza at the south end of Erie Street. The above estimates are based on an \$8,000,000 proposed TID budget which at this point is only rough approximation. No detailed design or budget is yet available.

In spite of its projected cost, **should this TID be created, it will likely fully retire the \$8,000,000 in City debt issued for this TID within nine years - 2013.** Even if this development does not proceed through the planned Phase II construction, the Phase I tax increments would be sufficient to repay the debt issued by 2016-2018. Given the extensive presales and aggressive presale pricing of the Harbor Front condominium units to date, these projections seem quite realistic and achievable. So the answer to this question is “yes”.

The “But For” Question: Are the proposed riverwalk and public improvements required to enable the private development to proceed?

The proposed riverwalk, street and other public improvements will no doubt enhance the attractiveness of the adjacent condominium developments and surrounding neighborhood, encouraging further nearby development. However, it is highly doubtful that a significant portion of the cited private development would terminate should the City improvements not be made. In fact, as mentioned above, **Harbor Front Phase I construction is already underway.**² If these improvements were judged primarily to benefit this upscale condominium development, a strong argument could be made that the developer should be able to include the cost of the riverwalk into the purchase price of the condominiums, eliminating the City riverwalk expenditure. But rather than a trigger for private development, DCD staff indicates that the riverwalk would function primarily to provide public access to the Milwaukee River consistent with the established City of Milwaukee Riverlink Development Plan and Site Plan Review Overlay District³. DCD indicates that these improvements should be considered as benefiting the general public over any specific private property interest. The TID 56 Economic Feasibility Study does not address the “But for” question.

¹ DCD proposes that the City of Milwaukee and the developers split this cost on a 75% City- 25% developer basis.

² The proposed TID resolution retroactively creates this TID as of January 1, 2004 to capture the additional property tax revenue from this construction.

³ File 940175 – Resolution amending the design guidelines for the Site Plan Review Overlay District as established by Section 295-91.0021 of the Milwaukee Code of Ordinances.

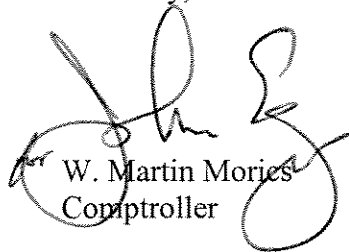
Normally, a TID is created because the public improvements become the principal inducement to the private development. But as the riverwalk is seen as primarily benefiting the general public, the question is, 'why create a TID to finance these improvements?' The major justification is that **under TID financing, about 15% of the cost of these improvements would be funded by non-city of Milwaukee taxpayers.** This would amount to \$1.2 million for TID 56. However, once established, a TID creates a permanent diversion of property tax revenue until the DCD initiates a Common council action to close the TID. Therefore, **controlling the ultimate scope and cost of any TID project is crucial to getting these real estate developments on the general tax rolls as soon as possible.**

Given the existence and progress of the Riverlinks Plan to date, the proposed improvements seem appropriate. Your Committee's and the Common Council's decision to finance these improvements through the creation of a TID is a policy matter. If you do wish to create this Erie Street Riverwalk TID, in order to achieve the goal of returning these condominium developments to the general tax rolls by the target year (2013), we would suggest the following: **prior to any expansion in project scope, activities⁴ or costs beyond that identified in the current TID 56 Project Plan be presented in resolution form to the Common Council for its consideration.**

We would also suggest that **this Committee explore with the DCD the establishment of cost standards for the remaining riverwalk segments.** While much of the Riverlinks Plan has already been implemented, DCD staff indicates that about 40 percent of the Plan has yet to be constructed. To date, per foot cost of the City riverwalk has ranged from \$550 per foot for Schlitz Park to the \$3,200+ per foot costs for the Historic Third Ward riverwalk. While much of this variance may be due to differing engineering requirements, with City debt costs rising rapidly reasonable cost parameters or caps may be appropriate. Likewise, riverwalk cost sharing with the City and adjoining property owners has ranged from about 20 percent to over 50 percent of total riverwalk costs. We would suggest that **DCD develop guidelines for future riverwalk developer cost participation** for your Committee and Common Council consideration. Alternatively, these issues could be addressed as a part of the Mayor's TID Task Force.

Should you have any questions regarding this letter, please contact me immediately.

Sincerely,



W. Martin Morics
Comptroller

Cc Martha Brown
James Scherer
Emma Stamps
Michael Wisniewski

⁴ The planned activities for this project are described in Section III.B.1.b of the Project Plan for TID 56 (Erie/Jefferson St), August 19, 2004.